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1 May 1975

MEMORANDUM FOR: Director of Logistics

SUBJECT: Progress Report on PPA/PRA Study  
Working Group

1. This report is to apprise you of the current status of the Working Group efforts.

2. The Working Group plans to submit to you by 1 June two recommendations. These will be:

a. Recommendation for adoption of direct funding effective FY 1977; and

b. Recommendation for adoption of a simulated direct funding system effective FY 1976.

3. Direct Funding FY 1977

a. The Working Group has examined implications of direct funding on the supply and finance support systems and has found nothing that would prohibit adoption of the revised system.

b. The concept of direct funding has become almost inextricably entwined with development of the new computer systems for supply, procurement, and finance. Although these are two separate considerations, it appears desirable that the change in the funding system be in tandem with or follow changes in GAS (General Accounting System) and in ICS (Inventory Control System). Since automation of property procurement obligations cannot be accomplished under GAS and ICS for at least another year, the Working Group recommends implementation of the direct funding system effective FY 1977.

4. Simulated Direct Funding FY 1976

a. Simulation of the direct funding system can be accomplished within the present PPA/PRA system. Operating components will receive PRA, as heretofore, and will maintain encumbrance controls. PPA will be allotted to OL for budget control as heretofore. Within the framework of PPA, OL will maintain the simulated direct funding mode.

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b. Simulation of direct funding will require revision to the PPA FAN structure. A separate FAN will be used for direct procurement to identify requisitioning component. The FAN structure for stock procurement will be based on assignment of inventory budgeting responsibility-- i.e., a FAN for stock procurement of staff communications materiel.

c. Under the simulated direct funding FAN structure, the normal procedures for budget management-- estimates, allotments, obligations, reports--will obtain. It is not intended to have operating components actively participate but instead to have the simulation mode managed within the metes and bounds of OL's current authorities and capabilities.

d. There are several advantages to maintaining a simulated direct funding system under the control of OL for a period of time. These are:

(1) Time to test and refine the direct funding system under controlled conditions;

(2) Accumulation of "actual" base year data for use in making budget comparability adjustments when the direct funding system is implemented;

(3) Centralized control during the period of transition to GAS;

(4) Time to prove or disprove fears of some that direct funding will have a major, adverse impact on the DD/A computer systems.

5. The action schedule of the Working Group contemplates:

a. By 9 May development of recommendations for assignments of inventory budget responsibilities and designation of control points;

b. On 14 May meet with the major technical cognizant materiel managers (OC, OTS, and Division D) to brief them on conclusions of the Working Group, proposal for simulated inventory budgeting for FY 1976, and options for FAN structure of their technical materiel procurements.

c. By 23 May meet with members of the Directorate Consultant Panel to brief them on conclusions and on proposed recommendations of the Working Group.

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d. By 30 May finalize Working Group paper and recommendations for submission to D/L.

6. If the D/L approves the recommendations of the Working Group, necessary action will be taken to implement the simulated direct funding system on 1 July. This will include revision of the FAN structure, definition of report requirements on ICS, briefing of SD/SMB personnel who are responsible for coding, etc.

PPA/PRA Study Working Group

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